



DEPARTMENT OF BUDGET AND FISCAL SERVICES

Mary Patricia Waterhouse, Director
Patrick T. Kubota, Deputy Director

ADMINISTRATION DIVISION

Mary Patricia Waterhouse, Director

POWERS, DUTIES AND FUNCTIONS

The Department of Budget and Fiscal Services is the central budgeting and accounting agency for the City and County of Honolulu. Among its responsibilities are: long-range financial planning; managing the City's operating and capital improvement budgets; managing the City's revenue and disbursement activities and financial records; overseeing equipment inventories; and administering the City's centralized purchasing activity. Additionally, it administratively supports the Liquor Commission, two Boards of Review and two pension funds. It also administers the City's Risk Management Program.

HIGHLIGHTS

Significant efforts were spent on financial analysis and providing background data to the City Council and general public for the Fiscal Year 2005 Operating Budget. With the change from the Harris Administration to the Hannemann Administration on January 2, 2005, a new Director, Mary Patricia Waterhouse, was selected who replaced Ivan M. Lui-Kwan and Patrick T. Kubota was selected as the Deputy Director as a replacement for Chris Diebling.

RISK MANAGEMENT

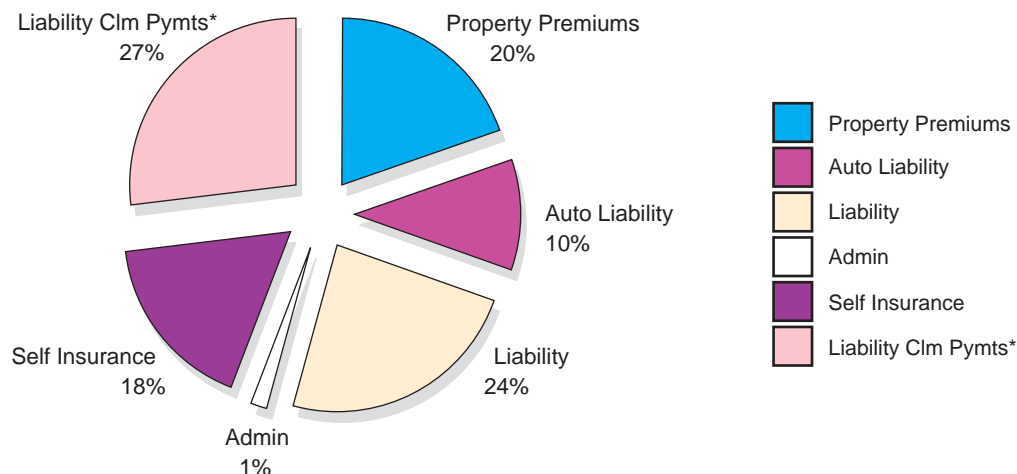
The City's Risk Management program, established under Section 2-5 of the Revised Ordinance, covers all City Departments and agencies except the Board of Water Supply and Oahu Transit Services, and excludes workers compensation and employee benefits. The program focuses on insurance and self-insurance to minimize the adverse financial impact of losses, as well as claims management, loss prevention and other activities.

The City is primarily self-insured for all risks of loss or damage, and purchases excess insurance above the self-insurance program to provide additional financial resources to cover the City's liabilities. In addition, commercial insurance is purchased to address unique risks or to satisfy statutory or contractual obligations. Self-insurance costs are generally stable, but commercial insurance costs are subject to conditions of the insurance market place. After several years of double-digit premium rate increases, the insurance market place has stabilized significantly, although coverage terms and availability in some lines were still limited.

As a consequence, the City's FY05 Risk Management costs remained virtually unchanged from the previous year. The following chart shows the breakdown of risk management costs for FY05.

HOW RISK DOLLARS ARE SPENT

FY 05



**Liability Claim Payments funded through Department of Corporation Counsel*

Analysis of loss data for the past 5 years shows the following most frequent causes of loss, and the most severe types of losses:

MOST FREQUENT	FY05	FY04	MOST SEVERE	FY05	FY04
Auto Related	33%	32%	Flood Control	20%	**
Roads	17%	13%	Law Enforcement	11%	14%
Towing Ops	10%	10%	Auto Related	18%	18%
Tree Related	5%	5%	Employment Practices	7%	24%
Sidewalk Conditions	4%	4%	Sidewalk Conditions	4%	5%

***Flood Control claims did not appear in the 5 most severe causes of loss in FY04.*

ACCOUNTING DIVISION

Nelson H. Koyanagi, Jr., Chief Accountant

POWERS, DUTIES AND FUNCTIONS

The Accounting Division plans, develops, directs and coordinates central accounting for the City and County of Honolulu; provides financial services to departments and agencies; reviews the manner in which public funds are received and expended; insures that moneys withdrawn from operating budgets are in accordance with operating budget ordinance and allotments; administers central preparation of payroll; liquidates claims under a centralized voucher system; and prepares financial statements and reports on City operations.

Accomplishments

The division worked with the Budgetary Administration Division in assisting departments and agencies with the preparation of the FY 2005-2006 operating budget. The division also prepared expenditure schedules in accordance with the approved FY 2004-2005 budget ordinance, per the Revised Charter of the City and County of Honolulu.

The division provided financial planning, guidance, and analytic support to the departments and agencies to meet their goals and objectives.

Financial statements and reports issued:

- City and County of Honolulu's Comprehensive Annual Financial Report (CAFR) ending June 30, 2004 for which the City was awarded the Certificate of Excellence in Financial Reporting by the Government Finance Officers Association (GFOA).
- Budget and Fiscal Services Director's Quarterly Financial Reports for the last quarter of FY 2003-2004 and the first three quarters of FY 2004-2005.
- Statement of funded indebtedness outstanding and unpaid as of June 30, 2004, required by Section 47C-2, Hawaii Revised Statutes (HRS), as amended (prepared jointly with Treasury Division).

In accordance with Mayor Hannemann's Directive No. 05-03 (April 2005), the Accounting Division worked closely with the Program Administrator to implement the mandatory use of purchasing cards for small dollar purchases by City departments and agencies. The purchasing card program was designed and implemented as a voluntary program in FY 2004 by the Accounting Division with assistance from the Department of Information Technology and the Internal Control Division of the Department of Budget and Fiscal Services. The purpose of the program is to streamline the City's procurement process for small dollar purchases. It allows authorized employees to use purchasing cards to acquire low dollar goods and services without having to prepare purchase orders. The program improves management control, increases purchasing efficiency and provides timely payments to vendors. As expected, the mandatory requirement has increased purchasing card usage substantially raising the monthly transaction volume by over 300% and dollars spent per month to over \$1 million.

The City's human resources/payroll system used the employee social security number as the system identification number. This was a common practice in 1993 when the human resources/payroll system was implemented. In response to numerous employee requests related to the increasing threat of identity theft that we experience today, the Payroll section worked with the Departments of Information Technology and Human Resources to convert employee numbers from the social security number to a computer generated number series.

BUDGETARY ADMINISTRATION DIVISION

Marcia Bise, Budget Program Administrator

POWERS, DUTIES AND FUNCTIONS

The Budgetary Administration Division administers the budgetary management and analysis program of the Executive Branch of the City and County of Honolulu. This includes the preparation and submittal of the annual Executive Program and Budget to the City Council, as well as analysis and administration of the budgetary management programs of the 23 executive agencies in the City and County of Honolulu.

PREPARATION AND SUBMITTAL OF THE MAYOR'S FY 2005-2006 EXECUTIVE OPERATING PROGRAM AND BUDGET

As required by the Revised Charter of the City and County of Honolulu 1973 (2000 Edition), the Director of Budget and Fiscal Services shall prepare the operating and capital program and budget, and necessary budget ordinances and amendments or supplements thereto under the direction of the Mayor.

To accomplish the above, the division received, reviewed, evaluated and finalized the Mayor's Executive Operating Program and Budget proposal, which reflected fiscal restraint in spending.

The Executive Operating Program and Budget proposal totaled \$1,355.9 million, which was \$126.9 million more than the previous fiscal year, or an increase of 10.3 percent. The increases were in the following areas:

- Fixed costs increased by \$73.5 million, primarily for the debt service increase of \$41.7 million or 21.6%, retirement system contribution increase of \$15.2 million or 32.6%, salary adjustments and accrued vacation pay increase of \$14.6 million or 169.2%, and FICA tax increase of \$1.9 million or 10.7%.
- The operating budgets of the executive agencies reflected an increase of \$53.4 million or 6.2%. Major expenditure highlights of the executive agencies are included in the section below. In order to keep the overall cost increase in the operating budgets of the executive agencies at this low level of 6.2%, a total of \$22.1 million in salary funds (full time equivalent of 668 vacant positions) was cut from the budgets of the executive agencies.

HIGHLIGHTS OF THE MAYOR'S FY 2005-2006 EXECUTIVE OPERATING PROGRAM AND BUDGET

Highlights of the Mayor's FY 2005-2006 Executive Operating Program and Budget proposal included:

Expenditures

- \$88 million in operating subsidies for TheBus, an \$11 million increase over the previous fiscal year, largely to cover increased fuel costs.
- \$4 million to expand curbside recycling islandwide.
- \$2 million to expand regularly scheduled, "no call" bulky item pickup islandwide.
- \$1 million for asphalt for pothole repairs.
- \$473,000 to establish new ambulance units at Makiki, Kaaawa and Nanakuli.
- \$101,000 for four new building permit clerk positions in the Department of Planning and Permitting.
- \$82,000 for a pilot program to provide extended hours of operation at satellite city halls in shopping centers.
- \$72,000 for six part-time driver license examiners to be hired during the peak summer and Christmas seasons.

Revenues

- A continuation of the current property tax rates, except for a modest reduction in the agricultural class rate. Because of increases in the value of Oahu real estate, this resulted in higher property taxes for many homeowners.
- An expansion of the real property tax credit for homeowners of very low income by allowing tax credits when real property taxes exceed four percent (instead of five percent) of the owner's household income, to provide property tax relief totaling \$3.3 million.
- A 25% increase in sewer fees, generating roughly \$28 million in additional revenue, with 10% increases in each of the following five years, to help rebuild the City's sewer fund. This was the first sewer service charge increase since 1993.
- A one-cent a pound increase in the City's vehicle weight tax for passenger and commercial vehicles, effective January 1, 2006, to generate \$22 million annually, for the "war on potholes". For passenger vehicles, the tax increased from two cents a pound to three cents a pound, and for commercial vehicles, the tax increased from 2.5 cents a pound to 3.5 cents a pound.
- An increase in the rates of various facilities within the Blaisdell Center and Waikiki Shell.

ADOPTION OF THE FY 2005-2006 OPERATING BUDGET

The City Council adopted an Operating Budget for FY 2005-2006 totaling \$1,372.8 million. This included \$1,361.2 million for the Executive Operating Budget for the Executive Branch and \$11.6 million for the Legislative Budget for the Legislative Branch, which includes the City Council, Office of Council Services, the City Clerk, and the City Auditor.

The FY 2005-2006 Executive Operating Budget appropriations for the Executive Branch are shown by function below.

FUNCTION	EXECUTIVE OPERATING BUDGET (IN MILLIONS)	% OF TOTAL
General Government	\$ 140.1	10.3
Public Safety	282.0	20.7
Highways and Streets	16.8	1.2
Sanitation	190.1	14.0
Health and Human Resources	64.0	4.7
Culture-Recreation	68.6	5.0
Utilities or Other Enterprises	154.8	11.4
Debt Service	235.1	17.3
Miscellaneous	209.7	15.4
TOTAL	\$1,361.2	100.0

EXECUTION OF THE FY 2004-2005 EXECUTIVE OPERATING PROGRAM AND BUDGET

The Revised Charter of the City and County of Honolulu 1973 (2000 Edition) specifies that the Director of Budget and Fiscal Services shall review the operating and capital budget program schedules of each executive agency and make budgetary allotments for their accomplishments with the approval of the Mayor, and review all executive agency requests for the creation of new positions.

The Budgetary Administration Division provided the above services for the Executive Operating Program and Budget and worked to ensure that the executive operating expenditures for the fiscal year were made as appropriated and authorized. In its administration of the execution of the FY 2004-2005 Executive Operating Program and Budget, the division reviewed and recommended action on the following:

- 714 Position Fills and Reallocations
- 23 Position Creations
- 493 Personal Services Contracts
- 148 Independent Services Contracts
- 304 Appropriation and Allotment Vouchers
- 3 Reorganizations
- 37 Resolutions and Reports to the City Council
- 541 Other Requests for Review and Analysis

FISCAL/CAPITAL IMPROVEMENT PROGRAM (CIP) ADMINISTRATION DIVISION

Alan B. Kilbey, Chief Fiscal/CIP Analyst

POWERS, DUTIES, AND FUNCTIONS

The Fiscal/CIP Administration Division administers the City's six-year capital program, Citywide revenue, central accounts, long-range financial planning programs; and the U.S. Department of Housing and Urban Development's Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grant and Housing Opportunities for Persons With Aids programs.

FISCAL/CIP ANALYSIS BRANCH

This branch prepares the capital program and budget and necessary budget ordinances and amendments or supplements thereto. It also reviews the capital budget program schedules of each executive agency, makes budgetary allotments, and analyzes and develops debt service programs for the City.

Accomplishments in FY 2005-2006 Capital Budget

The Mayor submitted a FY 2005-2006 Capital Budget of \$451.1 million. The City Council adopted a Capital Budget of \$476.6 million.

The Capital Budget appropriations, shown by function, are summarized below:

FUNCTION	AMOUNT (IN MILLIONS)	% OF TOTAL
General Government	\$48.3	10%
Public Safety	25.4	5%
Highways and Streets	50.4	11%
Sanitation	280.0	59%
Human Services	14.6	3%
Culture-Recreation	30.1	6%
Utilities or Other Enterprises	27.8	6%
TOTAL	\$476.6	100%

Detailed below is a breakdown by funding source of the Capital Budget:

SOURCE	AMOUNT (IN MILLIONS)	% OF TOTAL
Borrowed Funds	\$433.5	91.0%
Federal Funds	37.6	7.9%
Special Projects Fund	4.1	0.8%
City Funds	1.4	0.3%
TOTAL	\$476.6	100.0%

Execution of the Capital Budget

The Fiscal/CIP Branch monitored the implementation of capital projects through review and recommendations of CIP appropriation allotment requests, requests for independent consultants and amendments, requests to increase construction contract contingencies and the CIP Quarterly Status Report. In regard to capital budget spending, this branch is extensively involved in the analysis and monitoring of the encumbrances and expenditures of funds for capital projects due to the increasing debt service of the City.

COMMUNITY DEVELOPMENT BLOCK GRANT /FEDERAL GRANTS BRANCH

This branch serves as the City's lead entity in the receipt, expenditure, administration, reporting and monitoring of the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Shelter Grants (ESG) and Housing Opportunities for Persons With AIDS (HOPWA) programs. In close partnership with the Department of Community Services, the Department of Design and Construction and other City agencies, the CDBG program has provided services and facilities to low/moderate-income persons and other eligible participants in our community. These HUD programs are described below:

Community Development Block Grant

The CDBG program is a federal program that provided Honolulu with \$11.8 million of entitlement funds in Fiscal Year '05 through the U.S. Department of Housing and Urban Development, in addition to generating more than \$11 million in program income. The CDBG program began in 1974 and since then the City has utilized approximately \$404 million to undertake various housing, public facility, public service, economic development and public works activities, designed to develop viable urban communities through the provision of decent housing and a suitable living environment, principally for persons of low and moderate income.

HOME Investment Partnerships (HOME)

The HOME program is another HUD program that provides entitlement funds to the City. Authorized under Title II of the National Affordable Housing Act of 1990, this program seeks to provide affordable housing opportunities for lower income individuals and households. In Fiscal Year '05, more than \$1.9 million was expended to supplement projects addressing the housing needs of Honolulu's lower income households. To date, the City has received approximately \$56 million in HOME funds.

Emergency Shelter Grants (ESG)

The ESG program, authorized under Subtitle B of Title IV of the Stewart B. McKinney Homeless Assistance Act, provides HUD funds to assist the homeless population. During Fiscal Year 2005, the ESG program expended \$499,000. To date, approximately \$6.5 million of ESG funds have been used for various rehabilitation activities and programs that serve Honolulu's homeless population.

Housing Opportunities for Persons With AIDS (HOPWA)

Authorized by Public Law 101-624, AIDS Housing Opportunity Act, as amended, HOPWA funds are utilized to meet the housing needs for persons with AIDS or related diseases and their families. During Fiscal Year 2005, the HOPWA program expended

\$423,000. In the five-year period since Honolulu first received entitlement funds from HUD, a total of \$2.5 million has helped provide rental housing and supportive service assistance to Honolulu's at-risk HIV-positive population.

Accomplishments

During the past year, the Federal Grants Branch in conjunction with the planning, development and administration of the CDBG, HOME, ESG and HOPWA programs:

- Completed the 11th Year Action Plan, detailing FY '06 projects to be undertaken by the City for the CDBG, HOME, ESG and HOPWA programs; while doing so, reviewed over 100 applications.
- Completed the Annual Performance Report (APR) for the CDBG, HOME, ESG and HOPWA programs for the period ending June 30, 2005.
- Provided interpretive and technical program assistance to various City agencies and private nonprofit organizations.
- Monitored compliance with federal, state and local law.
- Assisted in the City's efforts to comply with the federal government's Single Audit requirements.
- Provided HUD with project and expenditure information using HUD's Integrated Disbursement and Information System (IDIS).

FISCAL/LONG-RANGE PLANNING BRANCH

This branch analyzes and develops the City's revenue estimates, central accounts and long-range financial planning programs. It also analyzes, administers, and monitors the City's general and special revenue funds.

Accomplishments

In collaboration with the Budgetary Administration Division, the branch evaluated and finalized the Mayor's Executive Operating Budget FY 2006 proposal, which totaled \$1,355.9 million. The City Council adopted an Operating Budget of \$1,361.2 million. The Fiscal/Long-Range Branch ensured that individual special funds and the general fund were in balance upon submission to the City Council. It also estimated and proposed the means to finance the City, enabling it to carry out its function and responsibilities. All revenue sources were analyzed and the estimates finalized.

Detailed below is a breakdown by revenue sources of the Operating Budget:

SOURCE	AMOUNT (IN MILLIONS)	% OF TOTAL
Real Property Tax	\$ 584.8	41.3%
Fuel Tax	52.1	3.7%
Motor Vehicle Weight Tax	53.3	3.7%
Public Utility Franchise Tax	27.7	2.0%
Transient Accommodations Tax	42.3	3.0%
Public Service Company Tax	29.2	2.1%
Federal Grants	81.5	5.7%
State Grants	6.7	0.5%
Licenses and Permits	43.7	3.1%
Charges for Services	25.2	1.8%
Sewer Revenues	150.4	10.6%
Bus Transportation Revenues	41.9	3.0%
Solid Waste Disposal Revenues	110.6	7.7%
Other Revenues	65.8	4.6%
Carry Over (including carry over of H-POWER Equity Funds)	102.2	7.2%
TOTAL	\$ 1,417.4	100.0%

Taxes (real property, fuel, motor vehicle, public utility franchise, transient accommodations and public service company) provided \$789.4 million to finance the \$1,361.2 million Operating Budget. Sewer and solid waste fees, which fund operations and projects that maintain the City's pristine environment, provided \$261.0 million. Other revenues included reimbursements from the State of Hawaii for the performance of their functions and the sale of assets.

FY 2005-2006 Real Property Tax Rates

Real property assessments continued to increase as a result of the real estate market recovery and the affordable low interest rates. The residential tax rate for FY 2005-2006 that included the single family residential, and apartment/condominium classes remained at \$3.75 per thousand of assessed value, the non-residential tax rate for commercial, industrial, and hotel/resort land uses remained at \$11.37, conservation also remained at \$9.57, while the rate for agriculture was set at \$8.57 per thousand of assessed value, a 10% decline.

FY 2005-2006 Debt Service and Central Accounts

Debt service and central accounts are obligations of the City that must be paid, over which it has limited control. For debt service payments, the Fiscal/CIP Branch worked in conjunction with the Budgetary Administration, Treasury and Accounting Divisions to develop the amounts required. The remaining costs were developed in collaboration with other divisions, departments and state personnel.

The table below illustrates debt service payments and central accounts for the City:

<u>SOURCE</u>	<u>AMOUNT (IN MILLIONS)</u>
Debt Service	\$ 235.1
Retirement Contributions	63.8
FICA Tax	20.0
Workers' Compensation	12.9
Unemployment Compensation	0.5
Health Fund	76.5
Provision for Salary Adjustment	24.9
Provision for Judgments and Losses	4.2
Provision for Risk Management	6.7
Provision for Property Tax Refunds and Other	0.2
TOTAL	\$444.8

Long-Range Financial Plan from FY 2005-2010

The financial plan covers six years and was developed by first compiling data and projections developed by various sources. The primary portion of the base year expenditures and revenues was based on the FY 2005-2006 operating and capital budgets. For out years, compilations utilized were (1) long-range plans for most enterprise fund operations, (2) debt service projections, (3) the six-year capital program and (4) estimates based on projections developed and/or provided by the State of Hawaii's Budget and Finance Department. Anticipated new cost projections were developed by City agencies. Other costs and revenues were adjusted in accordance with projections developed by the Council on Revenues. The projected amounts were analyzed and a statement of how to meet future expenditure requirements was developed.

INTERNAL CONTROL DIVISION

Michael R. Hansen, Chief Accountant

POWERS, DUTIES, AND FUNCTIONS

The Internal Control Division performs professional and objective examinations and evaluations of the City's financial activities. Seven staff members audit, review, and monitor the controls and processes for safeguarding City assets and recording financial transactions; and recommend practical changes and cost effective improvements. The division personnel include certified public accountants and a certified fraud examiner. In addition, each analyst is a certified government financial manager.

ACCOMPLISHMENTS

The following are the significant accomplishments of the Internal Control Division for the FY 2004-2005.

Annual Recurring Audits, Reviews and Evaluations

- 1) Completed follow-up review of the independent auditor's financial and single-audit comments, and coordinated the City's response to the independent auditors.
- 2) Coordinated the response to the independent auditor's Federal Grants Risk Assessment Questionnaire for FY 2004-2005.
- 3) Completed quarterly cash counts and prepared statements of amount and kind of funds in the City Treasury as required by the City Charter.
- 4) Monitored the compliance by all City agencies with the BFS Policies and Procedures pertaining to the annual count of Petty Cash and Change Funds.

- 5) Audited the annual H-Power true-up billing from the plant operator and assisted in negotiation of annual settlement.
- 6) Developed the City's consolidated local central service cost allocation plan and indirect cost rate for FY 2005-2006.
- 7) Performed audits of relocation transactions.
- 9) Managed the contract for the annual financial audits of five City owned housing projects.
- 10) Compiled data and filed request for refunds of eligible federal excise tax paid on aviation fuel purchased by the Honolulu Fire and Police Departments.

Special Studies and Investigations

- 1) Provided fraud awareness training to City employees and maintained the fraud awareness and internal controls intranet information website.
- 2) Performed financial analysis and support for various ongoing investigations alleging fraud.
- 3) Completed transaction reviews and provided guidance regarding apparent irregularities reported by various City agencies.
- 4) Provided internal control review and analysis services to various departments on a project- by-project basis.
- 5) Provided accounting expertise to the Department of Human Resources in the Act 90 privatization issues study.
- 6) Performed Fixed Assets Computerized System (FACS) follow-up reviews for the Departments of: Environmental Services, Facility Maintenance, Honolulu Police, Information Technology, Parks and Recreation, Budget and Fiscal Services, and Honolulu Fire.
- 7) Performed the monitoring of low/moderate income housing requirements of the Multi Family Housing Program.
- 8) Assisted in the implementation of the purchase card program. Reviewed the purchase card program controls and developed the purchase card audit program.
- 9) Assisted DTS in streamlining various financial reports performed by independent auditors.
- 10) Assisted in the review of the June 30, 2004 Department of Environmental Services sewer fund materials and supplies inventory.
- 11) Participated in the implementation of an electronic payment system for the purchase of motor vehicle special plates via the City's website.
- 12) Developed a Central Services Indirect Cost Rate for the City.
- 13) Performed reviews of requests by various Departments to change petty cash and change fund amounts.
- 14) Participated in the implementation of an electronic driver's license road test appointment system via the City's website.
- 15) Coordinated the renewal of the contract and compiled statistics for the credit card program.
- 16) Provided guidelines in the timely recording of City bank deposits into the City's accounting system.
- 17) Completed a review and provided recommendations regarding postage disbursements and account balances of City agencies.
- 18) Coordinated the update of the Department of Budget and Fiscal Services Policies and Procedures Manual on the City Intranet.
- 19) Completed a review of the City's compliance with the new Payment Card Industry (PCI) Security Standard, which was issued to protect credit cardholders from theft and fraud.
- 20) Completed a review of BFS Rules & Regulations. Updated rules to comply with Hawaii Administrative Drafting Rules Manual.

LIQUOR COMMISSION

Wallace W. Weatherwax, Administrator

MISSION STATEMENT

To promote our community's health, safety and welfare by effectively and fairly administering and enforcing Hawaii's Liquor Laws.

POWERS, DUTIES AND FUNCTIONS

Pursuant to Chapter 281 of the Hawaii Revised Statutes, the Liquor Commission has the sole jurisdiction, power, authority and discretion to grant, refuse, suspend and revoke any license for the manufacture, importation or sale of intoxicating liquor within the City and County of Honolulu. The commission also hears and adjudicates violations of liquor laws and rules committed by liquor licensees. The City Charter administratively attaches the Liquor Commission to the Department of Budget & Fiscal Services.

LIQUOR COMMISSION BOARD

The Board's five members are appointed by the Mayor and confirmed by the City Council. Each commissioner serves a five-year term with the term of one member expiring each year.

<u>MEMBER</u>	<u>TERM EXPIRES</u>
Dennis Enomoto, Chairman	December 31, 2005
Danny Kim	December 31, 2007
Danny Auyoung*	December 31, 2006
Iris R. Okawa**	December 31, 2008
Jon F. Yamaguchi***	December 31, 2009
<i>Comm. Auyoung replaced the late John P. Spierling*</i>	
<i>Comm. Okawa replaced Clyde J. Eugenio**</i>	
<i>Comm. Yamaguchi replaced Ms. Chu Lan Shubert Kwock***</i>	

Licenses and Permits

There were 1,393 liquor licenses in effect within the City and County of Honolulu as of June 30, 2005. The commission's Licensing Section investigates applicants for liquor licenses, and responds to liquor license inquiries. Activities this fiscal year included the following:

Investigations and Reports Completed:

New premises	68
License transfers	79
Temporary licenses	85
Special licenses	34
Special one-day licenses	281
Transient Vessel licenses	35
Change of class	3
Reports on new officers and directors	51
Requests for extensions and alterations to premises	140
Reports on transfers of corporate stock	32
Field inspections	320
Miscellaneous investigations, reports and other activities	139
Field Audits	44

Enforcement

The commission's Enforcement Section inspects all liquor-licensed premises and is responsible for administering the liquor law and rules compliance program. During this fiscal year, 168 warnings and 630 violations were issued, and 12,323 inspections were conducted. The warnings and violations issued include issuances by Enforcement, Audit and Administration. Also during this fiscal year, 211 complaints about liquor establishments were received, which included drug activity, prostitution, gambling, serving liquor to minors, excessive noise, and other administrative liquor violations. The drug, prostitution, and gambling complaints were referred to the Honolulu Police Department for investigation. After court convictions, substantiated complaints of drug, prostitution and gambling are adjudicated by the commission for license revocation.

Training

The Liquor Commission Server-Training Program certified 3,281 bartenders and managers for licensed premises who were trained in the dangers of driving while intoxicated, interventions with intoxicated patrons, and Hawaii liquor laws. In addition, the Liquor Commission presented Liquor Service Awareness Training to 70 liquor licensee server staff. The training focused on preventing liquor overservice and the use of thorough ID checks as the primary means of preventing liquor sales and service to minors.

Adjudications

The Liquor Commission is responsible for adjudicating liquor law violations. The liquor investigators, the Honolulu Police Department, and other law enforcement agencies refer these violations. The commission adjudicated a total of 414 violations, which included 88 violations pertaining to minors.

These adjudications resulted in the following actions:

Licenses revoked	0
Revocations by charge	0
Licenses suspended	2
Suspensions by charge	2
Fines assessed by charge	397
Charges adjudicated guilty (guilty pleas, no-contest pleas, convictions, defaults)	407
Charges dismissed (dismissals, acquittals)	5
Amount of fines assessed	\$221,050

Enforcement Operations with Honolulu Police Department and State and Federal Agencies

The Enforcement Unit conducted 26 joint operations with the Honolulu Police Department, the Department of Homeland Security, Immigration and Customs Enforcement, to investigate and prosecute violators of criminal and liquor laws. "Team PLUS" underage sting operations were conducted with Cancer Research Center of Hawaii, utilizing underaged decoys. The Enforcement Unit also participated in the "Cops-In-Shops" program, in conjunction with retail premises targeting adults purchasing alcohol for minors, and minors attempting to purchase alcohol. "Shoulder Tap" operations were also conducted, targeting adults purchasing alcohol for minors, minors attempting to purchase alcohol, and retailers selling alcohol to minors.

Index to Schedules

Schedule A	Licenses in Effect (FY 2000-2005)
Schedule B	License Fees Realized by Classification (FY 2004-2005)
Schedule C	Breakdown of Receipts for FY 1996-2005 (in dollars)
Schedule D	Comparative Statement of Receipts and Disbursements for FY 1996-2005 (in dollars)

SCHEDULE A — LICENSES IN EFFECT (FY 2000-2005)

CLASSIFICATION	JUNE 30, 2000	JUNE 30, 2001	JUNE 30 2002	JUNE 30 2003	JUNE 30 2004	JUNE 30 2005
Brew Pub: General	3	3	3	3	3	3
Cabaret: General	42	39	39	40	39	42
*Caterer: General	37	365	221	135	75	73
Beer and Wine	2	31	2	7	3	6
Club: General	15	15	15	14	14	13
Dispenser: General	354	337	329	320	305	300
Beer & Wine	19	17	14	14	13	13
Hotel: General	36	35	35	33	35	36
Manufacturer: Other Liquor	0	0	1	1	1	1
Beer and Wine (Sake)	3	4	2	1	1	1
Restaurant: General	303	324	326	325	334	344
Beer and Wine	56	57	55	58	56	58
Beer	0	0	0	0	0	0
Retail: General	498	510	495	476	486	487
Beer & Wine	70	57	52	49	47	45
Tour and Cruise Vessel: General	20	20	20	20	21	19
Transient Vessel (Annual): General	1	2	2	0	0	0
Wholesale: General	19	19	21	20	23	25
Beer & Wine	6	7	8	8	7	6
Grand Total	<u>1,484</u>	<u>*1,446</u>	<u>*1,417</u>	<u>*1,382</u>	<u>*1,385</u>	<u>*1,393</u>

*Grand Total does not include CATERER licenses, which are issued only to Hotel or Restaurant licensees.

SCHEDULE B: LICENSE FEES REALIZED BY CLASS - 2004-2005

CLASS OF LICENSE	TOTALS
CATERER LICENSE	20,300.00
BREW PUB	23,985.68
General	4,500.00
Additional Fees	19,485.68
MANUFACTURER	1,800.00
Wine	600.00
Other Liquors	1,200.00
Additional Fees	0.00
WHOLESALE	73,352.00
General	56,800.00
Beer & Wine	4,620.00
Additional Fees	11,932.00
RETAIL	708,992.19
General	523,710.00
Beer & Wine	34,970.00
Additional Fees	150,312.19
DISPENSER	492,393.52
General-Standard	100,440.00
General-Category 2,3,4	250,700.00
Beer & Wine	10,075.00
Additional Fees	131,178.52
CABARET	254,551.24
General	73,650.00
Additional Fees	180,901.24
CLUB	24,922.83
General	7,800.00
Additional Fees	17,122.83
HOTEL	431,645.09
General	128,400.00
Additional Fees	303,245.09
RESTAURANT	690,785.93
General	362,340.00
Beer & Wine	45,695.00
Additional Fees	282,750.93
TRANSIENT VESSEL	6,550.00
Per Day	6,550.00
Per Year	0.00
Additional Fees	0.00
TOUR OR CRUISE VESSEL	21,378.22
General	15,775.00
Additional Fees	5,603.22
SPECIAL	1,985.00
General	1,500.00
Beer & Wine	385.00
Beer	100.00
TEMPORARY	55,037.42
Cabaret General	750.00
Dispenser General	6,000.00
Dispenser Beer & Wine	250.00
Retail General	5,250.00
Retail Beer & Wine	500.00
Restaurant General	5,000.00
Restaurant Beer & Wine	500.00
Hotel General	1,500.00
Additional Fees	35,287.42
TOTALS	2,807,679.12

SCHEDULE C — BREAKDOWN OF RECEIPTS FOR FY 1996-2005 (IN DOLLARS)

<u>FISCAL YEAR</u>	<u>FEES</u>	<u>LICENSE FEES</u>	<u>FILING FINES</u>	<u>I.D.</u>	<u>PHOTO MISC.</u>	<u>TOTAL</u>
1994-95	2,044,894	4,800	476,267	89,369	15,603	2,630,933
1995-96	2,671,308	11,600	319,890	88,914	18,090	3,109,802
1996-97	2,532,326	7,000	263,885	85,869	17,397	2,906,477
1997-98	2,458,185	7,200	238,062	84,994	10,661	2,799,102
1998-99	2,450,541	5,200	145,151	108,833	17,839	2,727,564
1999-00	2,475,471	2,200	247,200	122,680	10,661	2,858,212
2000-01	2,529,116	8,200	200,825	115,720	7,265	2,861,126
2001-02	2,571,142	4,600	204,045	105,940	19,679	2,905,406
2002-03*	2,498,273	3,600	340,970	127,100	30,135	3,000,078
2003-04	2,580,032	5,400	235,250	118,270	7,526	2,946,478
2004-05	2,807,679	2,800	177,600	117,930	11,864	3,117,873

SCHEDULE D — COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR FY 1996-2005 (IN DOLLARS)

<u>FISCAL YEAR</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>TRANSFERS</u>	<u>TOTAL EXPENDITURES</u>
1994-95	2,630,933	1,949,034	1,427,805	3,376,839
1995-96	3,109,802	1,856,562	1,013,925	2,870,487
1996-97	2,906,477	1,838,005	1,082,773	2,920,778
1997-98	2,799,102	1,704,799	1,034,260	2,739,059
1998-99	2,727,564	1,751,346	802,412	2,553,758
1999-00	2,858,212	1,893,262	720,372	2,613,634
2000-01	2,861,126	1,984,852	849,639	2,834,491
2001-02	2,905,406	2,313,152	1,163,897	3,477,049
2002-03*	3,000,078	2,224,397	762,500	2,986,897
2003-04	2,946,478	2,252,904	935,450	3,188,354
2004-05	3,117,873	1,975,205	911,541	2,886,746

*Revised

PURCHASING DIVISION

Charles M. Katsuyoshi, Purchasing and Contracts Administrator

POWERS, DUTIES AND FUNCTIONS

The Purchasing Division's 26 employees are responsible for procuring all materials, supplies, equipment, and services for City departments and agencies; processing construction, consultant and personal services contracts required by the City; maintaining inventory of all City personal property and effects exchange, disposal sale, or transfer of surplus equipment; managing City-owned real property including rentals, leases, and concessions; administering the housing relocation functions.

PROCUREMENT AND SPECIFICATIONS BRANCH

This branch is responsible for centrally purchasing goods and services for City agencies. It also establishes standards and specifications, develops proposal documents, and provides technical assistance to agencies to assure quality purchases at reasonable prices.

The branch awarded the following major contracts in fiscal year 2004-2005: police cars (\$1,904,312); refuse trucks (\$1,999,882); and fire engine (\$1,258,5000). A comparison of the workload for the past two years is as follows:

	<u>FY 04-05</u>	<u>FY 03-04</u>
Advertised bid solicitations	187	247
Request for proposal solicitations	4	4
Contracts awarded	327	281
Small purchases awarded	626	792
Total dollars awarded	\$117,848,310	\$79,088,369

The branch continued to make price-list contract awards to obtain better prices on commonly purchased items. For these contracts, vendors agree to provide goods and services to the City at a fixed price for a set period, typically one year. If an item is less than \$2,000 in cost and is not on the price list, an agency must make the effort to get three price quotes before making award directly to a vendor by issuing a purchase order. The following is a comparison of the decentralized purchasing activities:

	<u>FY 04-05</u>	<u>FY 03-04</u>
Number of price lists	546	490
Items on price lists	6,314	5,930
Number of price list purchase orders	9,173	9,813
Price list purchases	\$29,732,671	\$22,103,815
Number of direct purchase orders	25,338	28,929
Direct purchase orders	\$26,756,173	\$28,074,828

Concessions

Concessions awarded during fiscal year 2004-05 included:

<u>CONCESSIONS</u>	<u>MONTHLY RENTAL</u>
Blaisdell Center Parking Lot	\$ 25,000
West Loch Golf Course Golf Shop	250
Civic Center Lunch Wagon	2,344
Novelty Concession at Blaisdell Center and Waikiki Shell	6,011

CONSTRUCTION AND CONSULTANT CONTRACTS SECTION

This section processes the City's public works construction and improvement district project contracts as well as the consultant and personal services contracts. Duties include reviewing the contracts, making appropriate recommendations, and providing technical assistance, counseling, and guidance.

Construction Contracts

The City awarded 149 contracts, excluding the Board of Water Supply, for a total of \$131,719,888. The section awarded the following significant construction projects during FY 2004-2005.

Nimitz Highway Sewer Reconstruction at OCCC	\$2,090,943
Resurfacing of Streets, FY05 (1)	4,393,000
Resurfacing of Streets, FY05 (3)	4,228,543

The following is a comparison of construction contract statistics during FY 2004-2005 and FY 2003-2004:

	<u>FY 04-05</u>	<u>FY 03-04</u>
Projects advertised	108	165
Contracts awarded	149	180
Total dollar value awarded	\$131,719,888	\$158,460,913

Consultant and Personal Services Contracts

The branch awarded contracts for studies, planning and engineering services, human services and youth projects, and services to the elderly and disadvantaged youth. These services and projects included: Various improvements to buildings, parks, street lighting, roads, drainage systems, sewers and treatment plants; training, prevention and intervention services; education and awareness of domestic violence and family crime; crisis counseling; and information and referral services. The following is a comparison of the consultant and personal services contracts for FY 2004-2005 and FY 2003-2004:

	<u>FY 04-05</u>	<u>FY 03-04</u>
Number of contracts awarded	157	162
Total dollar value	\$25,552,685	\$42,122,034

PROPERTY MANAGEMENT AND DISPOSAL SECTION

This section maintains the City's real and personal property inventories, disposes of the City's real and personal property, manages the City's real property, and administers the City's housing relocation program.

Personal Property Management

The City's personal property inventory, which includes equipment, machinery, and supplies and materials, is maintained on the Fixed Assets Computer System (FACS). Certain infrastructure assets are also maintained on FACS. At the end of the fiscal year, FACS contained 135,729 records, accounting for 269,197 assets. The dollar value of the assets were:

Office equipment	\$12,668,500
Motor Vehicles	312,350,263
Aircraft	2,906,460
Computer Equipment	60,075,387
Recreational Equipment	2,672,481
Scientific Equipment	6,101,952
Construction Equipment	18,739,556
Communication Equipment	46,953,035
Other Equipment and Machinery	103,017,846
Total Equipment and Machinery	565,485,480
Materials and Supplies	2,670,454
Personal Property Inventory	568,155,934
Infrastructure Assets	188,361,535
Total Assets On FACS Equipment Inventory	\$756,517,469

FACS automatically added new equipment purchases totaling \$33,412,144 to the inventory. Major purchases included computer equipment, office equipment, and motor vehicles. Retired assets, valued at \$30,021,248, included trucks, handivans, and police vehicles. Transferred assets, valued at \$40,465,466 included personal computers, office equipment, and motor vehicles.

Twenty FACS users received "hands-on" computer training and learned about personal property management procedures.

Property Disposal

The section conducted more than 56 inspections at various City sites including Manana, Wahiawa, Waipahu, and Halawa prior to disposing equipment. It also conducted eight public auctions and sold a total of 249 assets for \$568,637. Notices of these public auctions were available to subscribers of the Auction Notification System (ANTS). There are currently 51 subscribers who receive a year of notices by mail, e-mail, and/or fax. The website received approximately 1,329 inquiries a month. The application for ANTS is also available on the Internet as a public service at www.honolulu.gov/pur/auctions.htm. There is also a 24-hour auction line, which is 808-527-6789.

Real Property Management.

Real Property transactions completed during FY 2004-2005 included:

	<u>NUMBER</u>	<u>AMOUNT</u>
Sales of Land	8	\$35,594,585
Land Exchange	1	58,700
Easements	8	67,683
Rental Agreements	8	46,444
Total	25	\$35,767,412

Concessions

Awarded 370 temporary concessions.

Sale of Land

The major land sales and transactions for FY 2004-2005:

<u>PROJECT</u>	<u>PURCHASER/GRANTEE</u>	<u>SALE PRICE</u>
Queen's Court Condominium	AOAO Queen's Court	\$6,000,000
Harbor Court Condominium Project, Parking Apartment 3	AOAO Queen's Court	500,000
Harbor Court Condominium Project Office Apartment Nos. 14-31, Retail Apartment Nos. 1-3, Restaurant Apartment Nos. 1-2, Parking Apartment Nos. 1 and 4, Management Apartment Nos. 1 and 2	D.G. Fee LLC	27,500,000
Portion of Helumoa Road	Outrigger Hotels Hawaii	1,540,000
Ukee Street	Grantee: Kaiser Foundation Health Plan, Inc	38,250
Ewa Villages G/C	Grantee: Archie Poki	8,035
Ewa Villages G/C	Grantee: Dayna Bushell	4,300
Ewa Villages G/C	Grantee: Naomi Higa	4,000
Total Land Sales		\$35,594,585

Land Exchange

The City exchanged its former Sunset Beach Fire Station site for Kaalaea Development, Inc's Parcel 1 in Pearl City, plus a cash payment of \$58,700.

Easements

The easements granted were, as follows:

<u>LOCATION</u>	<u>GRANTEE</u>	<u>FEE PRICE</u>
Kuhio Beach Park	Hawaiian Electric Company, Inc.	\$34,500
Poni Street	Daiei (USA) Inc.	5,328
Alohea Street	Verizon Hawaii	3,100
Waimea Bay	State of Hawaii	100
Alakawa Street	Costco Wholesale Corporation	1,450
Kaonohi Park	Hawaiian Electric Company, Inc.	1,135
Ewa Villages G/C	Pediahealth Corporation	7,970
Sandy Beach	Verizon Hawaii	14,100
Total Easement Fees:		\$67,683

Rental Agreements

The new rentals were, as follows:

<u>LOCATION</u>	<u>TENANT</u>	<u>FY05 RENTALS</u>
Aiea Sugar Mill	RMY Construction	\$5,500
Aiea Sugar Mill	Thurston Pacific	5,500
Hauula Civic Center	Halau Lokahi	7,276
Hawaii Kai Park & Ride	Reynolds Recycling	2,250
Mililani Mauka Park & Ride	Reynolds Recycling	2,250
Royal Kunia Park & Ride	Reynolds Recycling	2,250
Subtotal:		\$25,026
Existing rental agreements:		\$21,418
Total Rental Payments		\$46,444

Housing Relocation Section. This section administers the Federal Uniform Relocation Act and the Hawaii Revised Statutes, Chapter 111, Assistance to Displaced Persons. Its mission is to (1) help the City complete its projects by relocating persons on a timely

basis, (2) help displaced persons accept and ease the trauma of relocation by providing advisory services, and (3) provide information about relocation to any interested party. The City's Relocation Policies and Procedures can be found at <http://Cityfyi/fin/policy/31.20.doc>.

For Fiscal Year 2005, a total payment of \$88,635 was made for various relocation projects:

Ewa Villages Revitalization - Residential (1 tenant)	\$415
Kulana Nani Apartments Renovation – Residential (1 tenant)	413
DPP Code Enforcement - Residential (1 tenant)	738
Middle Street Transit Center – Commercial (7 tenants)	<u>87,069</u>
Total	\$88,635

REAL PROPERTY ASSESSMENT DIVISION

Gary T. Kurokawa, Real Property Assessment Administrator

POWER, DUTIES, AND FUNCTIONS

The Real Property Assessment Division administers provisions of Chapter 8, Revised Ordinances of Honolulu, relating to the assessment of real property for tax purposes. It ensures that property assessments, based on market value standards and uniformly applied laws, are fair and equitable.

The division's mission is to annually provide the City Council of Honolulu with a certified assessment roll. The Council uses this roll to set the tax rates for ten general land classes, and generate property tax revenues for the City. To accomplish its mission, the division identifies real property parcels and respective owners; appraises parcels; processes exemption and dedication claims filed; notifies owners of the assessments placed on their respective properties; settles real property assessment and tax appeals; and maintains and updates maps, ownership records, valuation records, and computer and other required files.

The division is located in the Walter Murray Gibson Building at 842 Bethel Street and in Kapolei Hale at 1000 Ulukouia Street. It is staffed by 107 permanent employees and is organized into four branches— Administrative/Technical, Mapping, Support Services, and Assessment.

ADMINISTRATIVE/TECHNICAL BRANCH

The Administrative/Technical Branch has 11 employees. This branch is responsible for the development of rules and regulations, administrative policies and procedures, building classifications, cost factors, training of appraisers, and technical support for all counties in the State of Hawaii.

This branch revised sections of the Revised Ordinances including those on agricultural dedications, the reporting of property values, and is reviewing internal standard operating procedures, ordinance changes, and Rules and Regulations.

MAPPING BRANCH

The Mapping Branch has 24 employees, 6 of whom are situated in Kapolei. The Mapping Branch is responsible for providing up-to-date tax maps and ownership data for the City and County of Honolulu. Other government agencies and the general public also use these maps and ownership records.

The Mapping Branch has made technological changes in processing ownership and mapping changes. They include the use of scanned images of recorded documents, and the updating of parcel data to the GIS base map.



Walter Murray Gibson Building



RPA Public Counter



RPA Public Research Room

The following are workload statistics for FY 2004-2005:

Land map drafting	13,094
Deeds, etc., processed (ownership)	53,355
Parcels affected	65,185
Reproduction of maps	7,880
Counter service (people)	387
Telephone service (people)	5,369

SUPPORT SERVICES BRANCH

The Support Services Branch has 13 employees, 4 of whom are situated in Kapolei. This branch is responsible for customer service at the counter, on the phone, and in the division's research room.

This branch processes all homeowners' and disability exemption claims, and Board of Review and Tax Appeal Court appeals. The Support Services Branch prepares adjustments to taxes resulting from errors, appeal decisions, and sale of government parcels.

Exemptions processed	25,300
Counter service	18,556
Telephone service	32,080

ASSESSMENT BRANCH

The Assessment Branch has 70 employees, 9 of whom are situated in Kapolei. They are responsible for the annual valuation and authorized adjustments of real property parcels within the City and County of Honolulu. The workload statistics for the FY 2004-2005 follow:

Property appraisals	270,856
Building inspections	9,107
New Condo appraisals	3,564

Assessments and Exemptions. As of October 1, 2004, the branch assessed 273,365 tax parcels for FY 2005-2006, including 109,754 condominium units and 314,021 buildings. A total of 152,967 exemptions were allowed. The following are totals for the last three years:

	<u>FY 05-06</u>	<u>FY 04-05</u>	<u>FY 03-04</u>
Tax parcels (includes condos)	273,354	269,470	266,470
(condos)	109,754	106,269	104,816
Building records	314,021	306,069	304,349
Exemptions:			
Basic home*	52,434	50,968	64,485
Multiple of home**	81,969	81,694	68,636
Others***	18,564	18,692	18,754
Appeals taken	4,179	3,837	2,590
Value on appeal	2,137,969	2,995,975	1,601,796
(in thousands of dollars)			

*Basic home exemption \$40,000 (see details - Table 1).

**Multiple of home exemption - \$60,000 ages 55 to 59; \$80,000 ages 60 to 64; \$100,000 ages 65 to 69; \$120,000 age 70 & older.

***Other exemptions include churches, hospitals, schools, govt. parcels, etc.

Boards of Review

There are two Boards of Review that settle real property assessment and/or disallowances of exemption disputes between taxpayers and the Real Property Tax Assessor. These Boards are attached to the division for administrative support and consist of five members each. Members are appointed by the Mayor and confirmed by the City Council for five-year terms.

First Board

Martha Kersting, Chair (Term expires 6/30/2007)
Ruth M.F. Lin, Vice-Chair (Term expires 6/30/2005)
Wanda L.M. Ching, Member (Term expires 6/30/2004)
Henry W.H. Lau, Member (Term expires 6/30/2003)

*Vacant

*Jonathan Kwon resigned on May 26, 2005 and a replacement is pending.

Second Board

Dean Y. Senda, Chair (Term expires 6/30/2008)
Wendell S.L. Ching, Member (Term expires 6/30/2005)
Maria W. Sousie, Member (Term expires 6/30/2006)

**Vacant

***Vacant

**James W.Y. Wong, new Member (Term expires 6/30/2009) was sworn in on September 8, 2005.

***Robyn Chun Alfonso, new Member (Term expires 6/30/2007) was sworn in on October 14, 2005.

Tax Valuation and Taxes to be Raised

Assessed values are based on 100 percent of market value. Revenues to be raised and assessed valuations for the last three years are as follows (in thousands of dollars):

	<u>FY 05-06</u>	<u>FY 04-05</u>	<u>FY 03-04</u>
+Gross assessed values	\$132,029,874	\$109,784,145	\$95,052,358
Less: Exemptions	16,858,010	15,864,880	15,096,915
Less: 50% Value on Appeals	1,068,985	1,497,987	800,898
Net value for tax rate	\$114,102,879	\$92,421,278	\$79,154,545
Taxes to be raised	\$ 581,801	\$496,428	\$427,171

+Gross assessed values do not include nontaxable properties.

Real Property Tax Rates

The City Council adopted the following tax rates for FY 2005-2006:

<u>CLASS</u>	<u>TAX RATE PER \$1,000 NET TAXABLE</u>
Improved Residential	\$3.75
Unimproved Residential	5.72
Apartment	3.75
Hotel and Resort	11.37
Commercial	11.37
Industrial	11.37
Agricultural	8.57
Preservation	9.57
Public Service	0.00
Vacant Agricultural	8.57

**NUMBER AND AMOUNT OF EXEMPTIONS BY TYPE
FOR THE FY 05-06
(Amounts in Thousands)**

<u>TYPE OF EXEMPTION</u>	<u>NUMBER</u>	<u>AMOUNT</u>
Federal Government	376	\$ 6,543,087
State Government	3,173	9,014,392
County Government	2,099	3,884,507
Hawaiian Homes Commission	505	272,211
Hawaiian Homes Land	2,541	757,281
Homes - Fee	127,233	9,691,452
(Basic)	49,673	\$1,992,239
(Multiple)	<u>77,560</u>	<u>7,699,213</u>
Homes - Leasehold	7,170	542,008
(Basic)	2,761	\$110,959
(Multiple)	<u>4,409</u>	<u>431,049</u>
Blind	299	7,341
Deaf	81	1,916
Leprosy	3	75
Totally Disabled	2,620	64,226
Totally Disabled Veterans	616	274,885
Cemeteries	45	43,522
Churches	814	1,241,878
Civil - Condemnation	23	17,409
Consulates	29	29,476
Credit Unions	52	61,000
Crop Shelters	27	2,855
Hawaiian Homes - 7-Year	311	84,951
Historic Residential	129	139,155
Hospitals	87	561,393
Landscaping, Open-Space	15	12,503
Low-Moderate Income Housing	330	1,001,373
Charitable Organizations	623	972,153
Public Utilities	480	515,067
Roadways and Waterways	3,041	4,808
Schools	114	641,656
Slaughterhouse	1	1,470
Setbacks	6	944
New Construction	119	399,019
Miscellaneous	5	3,200
TOTAL	152,967	\$36,787,213

NOTE: Amount includes government parcels at actual value and exemptions on federal lease, if any.

TREASURY DIVISION

Edlyn S. Taniguchi, Chief of Treasury

POWERS, DUTIES, AND FUNCTIONS

The division is responsible for the City's cash management, debt administration and certain accounts receivable. It maintains the City's treasury, deposits moneys and invests funds as authorized by law. It issues and sells City bonds, paying interest on and redeeming them as required. It bills and collects a variety of revenues and assessments, including real property taxes, improvement and business improvement district assessments, refuse disposal fees, refuse collection fees, real property rentals and concession contracts.

BILLING AND COLLECTION

Centralized Revenue Collections

The division administers the receivables for real property taxes, special assessments, special sewer fees, cesspool fees, automotive fuel and maintenance fees, engineering inspector overtime and permit fees, wastewater engineering inspection charges, sewer lateral charges, recovery of road and sidewalk repair, recovery of costs for damaged traffic property, concession agreements, and lease rents.

Real Property Tax

Real property taxes account for approximately two-thirds of the City's general fund revenues. In FY 2004-2005, the Division billed 261,808 accounts for \$519.4 million. Total FY 2004-2005 taxes collected were \$496.1 million.

Prior year delinquencies at the beginning of the fiscal year amounted to \$8.3 million. During the year, the division collected \$2.4 million, representing approximately 29% of its delinquencies. On June 30, 2005, total delinquent real property taxes (outstanding fiscal year 2004-2005 taxes plus prior year uncollected delinquencies) totaled \$6 million or 1.2% of the FY 2004-2005 taxes billed.

Improvement District Assessments

The City assesses a charge to property owners in approved improvement districts for certain public improvements and services that benefit these owners. Improvement district accounts numbered 484, which paid \$511,817 in FY2004 - 2005.

Waikiki Business Improvement District Assessments

The City assesses a charge to property owners in approved business improvement districts for services that benefit these owners. The business improvement district accounts numbered 4,864, which paid \$2,071,153 in FY 2004-2005.

Refuse Disposal Fees

The City charges commercial haulers a refuse disposal fee for utilizing one of the City's landfills or other solid waste disposal facilities. There were 225 active accounts that were billed and remitted revenues of \$53.8 million in FY 2004-2005.

Refuse Collection Fees

Commercial customers incur a monthly refuse collection fee, based on their average refuse volume, for curbside pickup. In FY 2004-2005, commercial customers numbered 671 and remitted fees of \$0.46 million.

Sewer and Cesspool Fees

The Treasury Division bills and collects fees from sewer users whose charges require special handling and from residential properties with cesspools. Revenues billed and collected during FY 2004-2005 totaled \$10 million involving approximately 1,126 accounts.

CASH MANAGEMENT

Interest Earned

During FY 2004-2005, deposits of \$2.8 billion and disbursements of \$1.4 billion flowed through the City treasury. The Treasury Division managed an average daily cash balance of \$541.8 million. Of that balance, Treasury funds represented \$357.2 million, while Board of Water Supply funds and Housing Development funds were \$175.1 million and \$9.5 million, respectively.

The City earned \$9.6 million in interest income for FY 2004-2005. Treasury funds generated \$6.3 million (average yield of 1.75%) and Housing Development funds received \$0.1 million (average yield of 1.66%).

DEBT ADMINISTRATION

General Obligation Tax Exempt Commercial Paper Notes

The City Council approved a \$150 million general obligation commercial paper program in June 2001. Then, in October 2004, an additional \$100 million was approved, increasing the program to \$250 million. During fiscal year 2005, the City issued a total of \$175 million General Obligation Tax Exempt Commercial Paper Notes to fund CIP projects and to purchase equipment. The amount of General Obligation Tax Exempt Commercial Paper Notes outstanding as of June 30, 2005 was \$49,800,000.

General Obligation Bonds Series 2005A, Series 2005B, Series 2005C and Series 2005D

The City, on May 26, 2005, issued \$371,770,000 of general obligation bonds. Series 2005A refunded \$200 million of general obligation commercial paper notes. Series 2005B, Series 2005C and Series 2005D refunded \$183,355,000 of previously issued general obligation bonds for a net present value savings of \$5.5 million. The overall true interest cost of the bonds was 4.17%.

General obligation bonds totaling \$74.9 million matured during the year. The outstanding general obligation bonds as of June 30, 2005 totaled \$1.96 billion of which \$280.0 million were for housing, H-POWER and solid waste disposal, and \$58.4 million were for sewer projects.

Under the Constitution of the State of Hawaii and applicable provisions of the HRS, general obligation bonds issued for self-supporting public undertakings, such as the water system and assessable public improvements, are excludable in determining the funded debt of the City to the extent that the reimbursements are made to the General Fund for the principal and interest due on such bonds out of net revenues for water system improvements and assessment collections for assessable public improvements. Of the total debt of \$2.92 billion on June 30, 2005, \$1.62 billion is therefore considered to be direct tax-supported debt for legal debt margin purposes.

The State Constitution limits the funded debt of any county to 15% of the net taxable assessed valuation.

Net assessed valuation of taxable real property, at 100% of fair market value	<u>\$92.42</u> billion
15% of net assessed valuation of taxable real property	\$13.86 billion
Net funded debt	<u>\$1.62</u> billion
Ratio of debt to assessed valuation	<u>1.75%</u>

The City's general obligation bonds are rated Aa2 by Moody's Investors Service, AA- with a positive outlook by Standard & Poor's and AA by Fitch Ratings. Its wastewater system revenue bonds are rated Aa3 by Moody's Investors Service and AA- by Fitch Ratings.